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Central Intelligence Agency

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DIRECTORATE OF INTELLIGENCE

JULY 1984

CENTRAL AMERICAN MONTHLY REPORT #11 [REDACTED]

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Perspective

Regional attention this month centered on Nicaragua, where the Sandinistas celebrated their fifth year in power and announced that Junta members Daniel Ortega and Sergio Ramirez will be the regime's candidates for president and vice president. Nicaraguan leaders believe that a perception of a fair and honest election will generate pressure on the United States to end aid to the anti-Sandinista insurgents and justify their claim of popular backing for the development of a socialist state. [REDACTED]

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[REDACTED] Nevertheless, the opposition's decision on 25 July to boycott the elections because of the absence of sufficient guarantees undercuts Sandinista hopes of using the electoral process to legitimize their regime. The government is attempting to counter the boycott by organizing a large turnout for voter registration, emphasizing that seven parties are in the contest. The Sandinistas also are trying to convey the impression that they went to some lengths to encourage participation by amending the electoral law and offering to abolish the state of emergency in exchange for an opposition condemnation of the United States. [REDACTED]

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The only partial relaxation of the state of emergency announced on 17 July suggests the Sandinistas' continuing wariness toward challenges to

This memorandum was prepared by the Central America Branch, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 1 August 1984. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA [REDACTED]

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their rule. Moreover, US Embassy reporting indicates that the regime did not fully comply with its announcement of limited press freedom. The opposition newspaper La Prensa had several stories censored that fall outside even an expanded definition of "national security" matters, and independent radio news stations are still censored. []

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With the withdrawal of their only serious opposition, the Sandinistas may now permit some more relaxation, both to embarrass the boycotting parties and to keep the others in the campaign. They are unlikely to offer sufficient concessions to bring the main opposition parties back into the campaign, however, and leaders of two small democratic parties participating have told the US Embassy they doubt the regime will make enough changes to keep them in the contest. There have been no significant foreign reactions thus far to the opposition boycott. Nevertheless, a wider boycott or restrictions on moderate leader Arturo Cruz after his planned trip to the United States would probably complicate West European efforts to give the Sandinistas the benefit of the doubt. []

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EL SALVADOR

Political

The political spotlight this month was trained on President Duarte's trips to Western Europe and the United States, where he tried to improve El Salvador's image and obtain political and economic support. Duarte's trip netted him fair to good reviews in the European press, but substantive economic assistance remained elusive. West Germany pledged \$18 million in financial aid, but France, Belgium, Portugal, and Great Britain are waiting until the new administration demonstrates greater control over the insurgency, the economy, and internal politics. []

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Labor unrest in the capital could hamper Duarte's efforts to strengthen his government's image abroad. Leftist unions, backed by various Marxist guerrilla factions, have been staging work stoppages periodically since Duarte's inauguration in June, probably to discredit his administration before it gains momentum. []

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[] the insurgents are hoping to foment significant popular discontent in urban areas, thus complicating Duarte's efforts to build better rapport with the conservative business sector and the military. []

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In our view, increased leftist political activity in July failed to arrest the erosion of domestic support for the insurgents. Catholic Church officials, for example, became more outspoken in their criticism of the guerrillas during the month. The US Embassy reported that the Church was particularly critical of the guerrillas' callousness toward

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the civilian population, including the forced recruitment of peasant and urban youth. Moreover, in a harsh, unprecedented response to the Church's criticism, leftist spokesmen openly called some Church officials "tools of the rich" and "dupes of imperialism," thus reflecting the insurgents' growing frustration over their eroding popularity. []

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Military

Government forces maintained pressure on the guerrillas throughout July, sweeping insurgent base areas in the eastern and central parts of the country in efforts to disrupt their logistic networks and internal arms distribution. In early July the military also initiated a major arms interdiction effort in southern Usulután. The operation [] is currently being led by 3rd Brigade commander Lieutenant Colonel Monterrosa, probably the Army's most capable and aggressive field commander. []

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Scattered guerrilla attacks appear aimed at wearing down government units and dispersing them prior to the planned insurgent offensive. In mid-July the rebels attacked a train in San Salvador Department, killing 21 Treasury Police personnel, and also harassed the airbase at Ilopango with small arms and mortar fire. []

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Economic

Leftist political activities could complicate government efforts to develop an economic strategy. Rising salary costs triggered by labor unrest are already eroding government finances and reducing the chances for an IMF accord. After striking postal workers won pay raises early in July, the Assembly approved substantial hikes for all public employees. An additional round of increases could follow, if current leftist efforts to provoke additional public-sector strikes succeed. The new salary hikes and lower-than-anticipated tax revenues have pushed expected internal borrowing needs well beyond the \$130 million ceiling that the Fund stipulated during last year's failed loan negotiations. The rising deficit, coupled with Duarte's rejection of partial devaluation, makes prospects for an IMF loan this year remote. Instead, Duarte has begun to press for an increase in EL Salvador's US sugar quota and a relaxation of US insistence on partial devaluation as a condition for economic assistance. []

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NICARAGUA

Political

The fifth anniversary celebration on 19 July was unusually brief and dampened by the announcement that the state of emergency will continue in modified form. The government guaranteed the right of assembly and travel throughout the country and extended the amnesty period for insurgents, but it maintained the ban on strikes, suspension of habeas corpus, and some censorship. The only foreign leaders attending were Rawlings of Ghana and Bouterse of Suriname, although the Soviets—consistent with their strategy of avoiding high-profile demonstrations of support—sent a non-politburo level delegation. []

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The Sandinistas stepped up their campaign against the Catholic Church by announcing plans to prosecute a priest accused of counterrevolutionary activities and by expelling foreign priests who participated in a demonstration protesting his detention. The Sandinistas, despite unusually strong criticism by the Pope, have intensified their press campaign against Managua Archbishop Obando y Bravo and appointed Fernando Cardenal, a pro-Sandinista Jesuit, as Minister of Education. The head of the Jesuit order has publicly opposed the appointment, however, and Nicaraguan Church sources believe Cardenal will leave the priesthood rather than quit his ministerial post. []

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Military

Insurgent leaders of the Democratic Revolutionary Alliance (ARDE) and the Nicaraguan Democratic Force (FDN) signed a unity agreement on 25 July in Panama that we believe will help improve the FDN's political image and increase the prospects for coordinated military actions. The political impact is diminished, however, by the continuing opposition of Eden Pastora, who split with ARDE in June because of his objections to the unity effort. The accord paves the way for coordination of some FDN and ARDE military operations in the south, where the groups eventually hope to cut the Sandinistas' main arms supply route. []

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FDN insurgents do not appear to have diminished their attacks and moved for the first time into the Atlantic coastal region in July, where they overran two towns. The Sandinistas have charged that the insurgents have wounded several election officials but the guerrillas do not seem to have made a great effort to disrupt voter registration. The

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[redacted] that the Army logistics chief had been wounded, the first senior officer to be injured in combat. [redacted] the Sandinistas apparently tried to attack the principal FDN support base at Las Vegas, Honduras, on 16 July, but the 122mm rockets landed over a mile away. [redacted]

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Arms Buildup

The shipment of five L-39 jet trainer/ground attack aircraft from Libya to Bulgaria in mid-July raises the possibility that they are destined for Nicaragua—presumably with Soviet approval. Although we cannot confirm the destination [redacted] Libyan-supplied military equipment for Nicaragua would be transshipped through Bulgaria. Moreover, Libya reportedly agreed to provide the Sandinistas with five L-39s in early 1983, and a Libyan cargo plane subsequently impounded in Brazil was said to be carrying one L-39 and air-to-air missiles. [redacted]

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Acquisition of the L-39s would substantially improve the combat capabilities of the Sandinista Air Force, which currently has propeller aircraft and three obsolete T-33 jets, and enable Managua to challenge the air superiority of Honduras, which has 14 Super Mysteres. Although the relatively slow, low-flying L-39 is best suited to deliver bombs and rockets against anti-Sandinista insurgents, the regime also would likely use them in a fighter role—especially if equipped with air-to-air missiles—or to support offensive operations against Honduras. Managua also probably would hope to use the L-39s to interdict insurgent resupply flights and to monitor some US reconnaissance aircraft. [redacted]

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The L-39s are not as fast as the Super Mysteres, but they are more maneuverable. Meanwhile, only three of the Mysteres in Tecucigalpa's inventory are currently operational, according to US military sources, with three others undergoing repairs for corrosion problems and seven scheduled to return to the United States soon for modification. An additional factor involves the preparedness of Nicaraguan pilots, who reportedly have been training on jet fighters abroad for several years. If the Sandinistas receive the L-39s, their pilots are likely to get at least equivalent—if not more—flight time than their Honduran counterparts. We believe Managua also would receive maintenance assistance from Cuban personnel. [redacted]

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Most Central American countries would view the arrival of L-39s in Nicaragua as presaging the future delivery of much more capable MIGs. Managua's neighbors would expect a response from Washington, particularly by providing them with additional—possibly more advanced—aircraft. For their part, the Sandinistas may hope that receipt of less advanced combat jets now would enable them to prepare international opinion for Nicaragua's eventual acquisition of MIGs. [redacted]

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Meanwhile, Managua continued to enhance its air defense capabilities and expand its helicopter and transport fleets in July. [REDACTED]

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Economic

Signs of deteriorating living standards multiplied during July. Even in some agricultural areas market shelves are bare of such basic items as beans and rice, according to US Embassy reports. Growers claim that the shortage is due partly to the fighting in areas normally utilized to grow basic grains. Also, intensified fuel shortages forced several industrial plants to close down temporarily. [REDACTED]

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Unable to alleviate the immediate problems, the government has responded by mounting a propaganda campaign to convince the populace that economic times were worse under Somoza; delaying implementation of the sharp food price hikes announced in June; and stepping up land distribution to campesinos in the central highlands. Moreover, Managua has decided to treat all economic information as classified, according to the US Embassy. [REDACTED]

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The government's financial situation is becoming more precarious. [REDACTED] the junta already has used up all the foreign exchange it earned from the harvest season that ended in May. To finance its immediate needs, Managua has resorted to selling crops—almost certainly at a discount—that will not be harvested until November. The scarcity of farm labor partly due to the insurgency has lowered the quality of newly-harvested cotton, thereby cutting the government's earnings by about \$8 million. Finally, Nicaragua reneged on a commercial debt repayment schedule it signed in February [REDACTED] should Nicaragua fail to sign a new agreement or make any payments by the end of 1984, the banks may proceed with a law suit to seize Nicaragua's meager foreign assets. [REDACTED]

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GUATEMALA

Political

The members of the Constituent Assembly, elected on 1 July, were installed on 1 August amid indications that extreme rightists will be unable to press their earlier demands for an immediate selection of a provisional President to replace Chief of State Mejia. Recounts have given two additional seats to the ultrarightist National Liberation

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Movement, which will have the largest single block of votes with 23 seats. Political centrists, however, will still have a majority in the 88-member body. The distribution of seats for the major parties is as follows:

PARTY	NUMBER OF SEATS	POLITICAL ORIENTATION
National Liberation Movement/ Authentic National Center	23	Rightist
National Centrist Union	21	Centrist
Christian Democratic Party	20	Centrist
Revolutionary Party	10	Centrist
National Renewal Party	5	Centrist
Democratic Institutional Party	5	Rightist

[redacted] the parties were almost uniformly satisfied that the voting was conducted honestly and without interference from the military. This, coupled with the failure of the right to control the Assembly, suggests that most deputies will confine their initial energies to writing a new Constitution in preparation for national elections next year, as Mejia has directed. Press reports, meanwhile, indicate that the three major political parties have agreed to share the presidency of the Assembly on a rotating basis. Such an arrangement will almost certainly prevent any one party from using the Assembly presidency to bolster its election prospects next year. [redacted]

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The Mejia government also took steps to demonstrate to its critics that it is making progress on human rights. In mid-July, for example, the government granted full pardon from criminal charges to all prisoners convicted under the now defunct special tribunals. Some 56 persons were slated for immediate release, and US Embassy officials say the action is intended as a signal of the changed environment in Guatemala. [redacted]

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Military

The insurgents resumed operations in July after a brief hiatus during the late-June electoral campaign period. Some 150 to 200 insurgents were active in the western department of San Marcos, [redacted]

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The military also suffered a setback when an Air Force UH-1 helicopter crashed in the Peten at mid-month. Local press and US defense attache reports indicate that six persons, including the son of former President Rios Montt, were killed in the accident. We believe that the armed forces' logistic and transportation difficulties will worsen in the coming months unless the military can increase the proficiency of its pilots and secure vital spare parts for its aging inventory of transport aircraft. []

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Economic

The rising budget deficit, which in June prompted the IMF to suspend Guatemala's standby agreement, is putting heavy pressure on the government's meager foreign exchange holdings. Although Guatemalan officials took a small step toward devaluation by quietly authorizing coffee and cotton exporters to sell some of their earnings in the black market, this will do little to ease the immediate foreign exchange shortage and will spur demands for similar treatment from other exporters. Moreover, official acceptance of dual exchange rates technically violated Guatemala's standby agreement with the IMF and probably will complicate government efforts to reach accommodation with the Fund. []

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Mejia, meanwhile, is attempting to defer painful budget cuts until after the successor government is installed in 1985. Foreign Minister Andrade secured special oil credits from Mexico, although Venezuela's refusal to extend similar treatment is reportedly prompting the government to consider fuel rationing. []

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HONDURAS

Political

Tegucigalpa's review of relations with the United States continued in July with the establishment of a high level commission to evaluate and recommend modifications to the 1954 bilateral military agreement. Although we do not foresee any dramatic changes, [] military leaders believe their predecessors bargained away national sovereignty in prior negotiations with the United States and plan to redress the perceived imbalance. In fact, largely as a sign of displeasure with the United States, the Suazo administration recently proposed to suspend the training of Salvadoran troops at the Regional Military Training Center in northern Honduras. The government apparently sees such training as a domestic political liability unrewarded by sufficient US support. []

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Tegucigalpa also has limited the activities and visibility of anti-Sandinista forces in Honduras and suspended the relocation of Salvadoran refugees, and it now requires a listing of attendant benefits to Honduras in proposals for joint cooperation with Washington. Nevertheless, the Embassy reports that civilian and military leaders still

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view their relationship with the United States as special—and have said so [redacted] in recent weeks—but are looking for preferential treatment in terms of aid and public support. For example, the Chief of the Armed Forces Joint Staff suggested to visiting Undersecretary of Defense Ikle that a bilateral defense treaty would ease Honduran security concerns. [redacted]

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We believe the recent Honduran moves also are designed to ease domestic and foreign criticism of Tegucigalpa's close association with Washington. Restrictions on the anti-Sandinistas were partly aimed at reducing Honduran exposure and possible isolation during the latest round of Contadora peace negotiations. Likewise, the Suazo administration probably hopes that its tougher stance toward the US will blunt attacks by various opposition groups as general elections approach in 1985. Two opposition parties already have nominated presidential candidates opposed to the US presence in Honduras. [redacted]

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Military

The Honduran Air Force continued to upgrade its combat capabilities by adding in July four more Tucano turboprop trainer aircraft to its inventory and continuing structural repairs on some of its 14 aging Super Mystere jet fighters. By month's end, however, there was no confirmation of the scheduled delivery of two more CASA-101 jet trainer/light attack aircraft from Spain. [redacted]

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COSTA RICA

Political

Secret meetings in Paris between Costa Rican and Nicaraguan officials in mid-July to consider a French proposal to demilitarize the common border have slowed down the deteriorating trend in relations between the Monge government and Managua. Nevertheless, the talks, which were scheduled to continue in August, appear to have stalled, and Monge has told the US Embassy that an agreement is unlikely. [redacted]

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Meanwhile, the government gave in to demands for pay hikes and benefits from the Communist-led teachers' union, thereby ending a two-week nationwide strike. As a result, Monge faces tough negotiations with the newly-encouraged Communist labor representatives of striking banana workers in the Golfito region, who have staged a three-week walkout for wage increases. The government is increasingly concerned that further Communist successes will lead to a wave of strikes that would cripple Costa Rica's already troubled economy. [redacted]

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Economic

The government recently announced tax increases and minor budget cuts to comply with IMF budget guidelines. According to the US Embassy, these measures are expected to trim the deficit by \$50 million in 1984. Nevertheless, the IMF probably will

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insist that the widely unpopular gasoline taxes be raised before the 1984 standby agreement can be activated. [REDACTED]

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PANAMA

Political

President-elect Barletta recently visited Washington in hopes of gaining assistance in managing Panama's \$3.4 billion debt and reducing its 18 percent unemployment rate. Although Barletta has offered to support US policies in Central America, he is in a weak position at home because of his inability to win a majority in the May election and because of widespread allegations of fraud associated with his slim victory. Barletta probably hopes that new financial and political commitments from Washington will help broaden his domestic political base and give him some freedom of action from the military, to whom he owes his election. [REDACTED]

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Defense Forces chief Noriega, meanwhile, returned in early July from a three-week trip abroad to face a drug trafficking scandal involving a senior military officer on his General Staff. [REDACTED] Noriega is using the incident to consolidate his grip on the military by replacing several disaffected officers with others loyal to him. [REDACTED]

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REGIONAL PEACE NEGOTIATIONS

Regional peace talks probably will resume again in the second or third week of August at the vice-ministerial level amid signs that the Contadora countries intend to press for a prompt agreement. Contadora vice-ministers visited the Central American capitals in late July to obtain reactions to the "Final Act" draft, which they had delivered during their June trip to the region. Managua has publicly made known its opposition to any discussion of internal issues, and the Sandinistas reportedly told the Contadora countries that they will reject the arms limitation section as long as their security is threatened by US actions. [REDACTED]

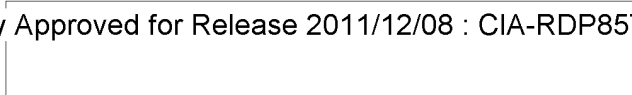
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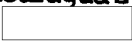



KEY NICARAGUAN TRAVELS/VISITS

5 July




Minister of Culture Cardenal visits Puerto Rico, where he alleges that there are explosives for anti-Sandinista insurgents on a ship due to arrive in Costa Rica. The denunciation proved to be an embarrassment to the Sandinistas, for the shipment was actually destined for the Nicaraguan government. Cardenal later visits the Dominican Republic and Colombia. [REDACTED]

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10 - 11 July	Junta member Sergio Ramirez tours Panama, Venezuela, and Colombia to explain Nicaragua's position at the Contadora peace talks. 	25X1
23 July	Vice Foreign Minister Talavera and Planning Minister Ruiz discuss Contadora issues with President de la Madrid. 	25X1
25 July	Interior Minister Borge leads Sandinista delegation to Cuban anniversary celebrations. 	25X1
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COMING EVENTS IN CENTRAL AMERICA

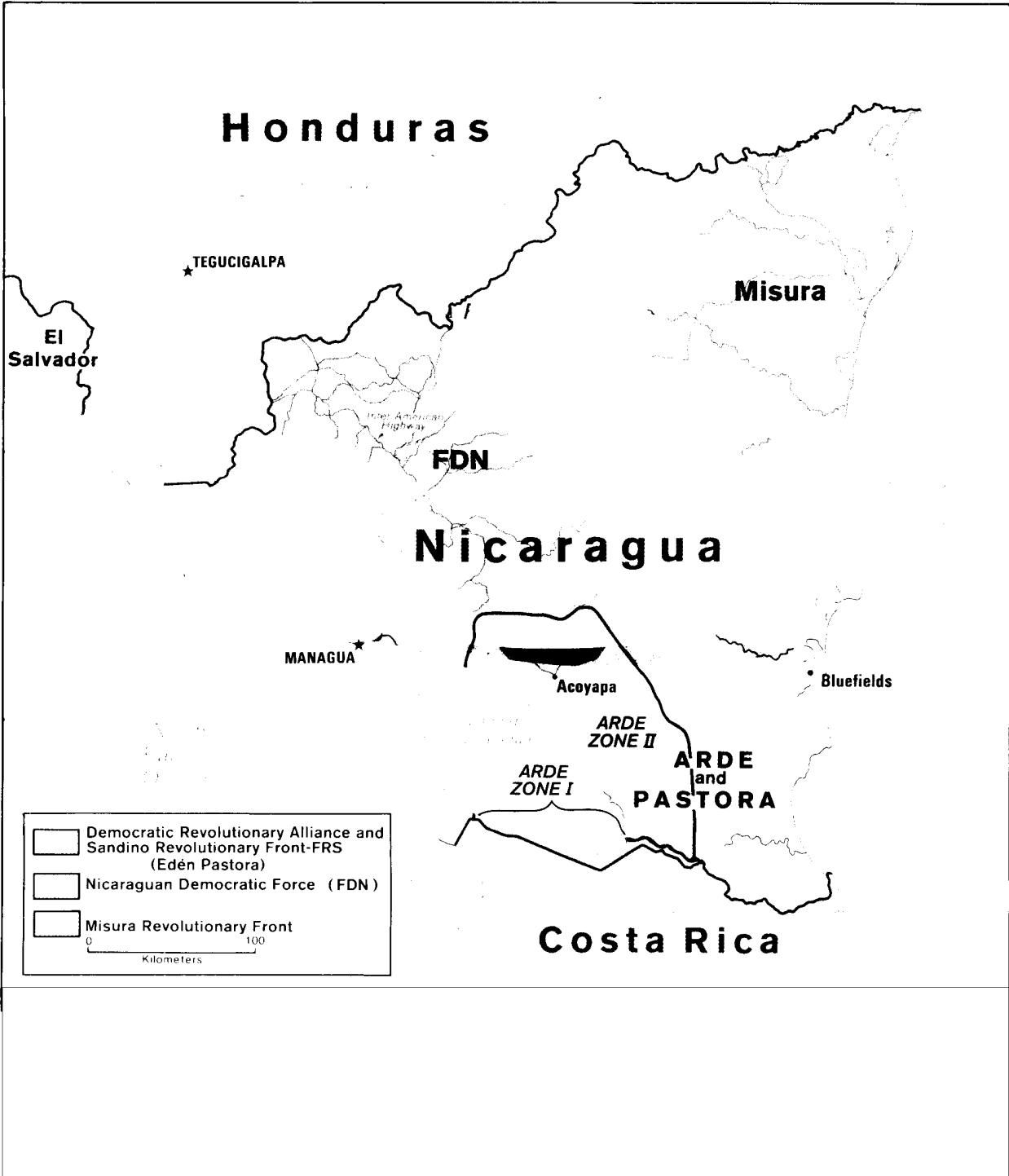
3-10 August	Patron Saint Holiday in EL Salvador; could be opportunity for insurgents to strike hard while country is on vacation. 	25X1
4 August	Deadline for formation of electoral alliances in Nicaragua. 	25X1
24 August	Central American Common Market (CACM) meeting in Tegucigalpa, Honduras. 	25X1



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Insurgent Operating Areas



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